

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-01 INR-05

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 SWF-01 AF-04 EA-06 NEA-06 /118 W

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R 171717Z DEC 74

FM USMISSION GENEVA

TO SECSTATE WASHDC 9712

INFO USMISSION EC BRUSSELS

AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: GATT, ETRD, BR

SUBJECT: EC CONCERN OVER BRAZILIAN IMPORT RESTRICTIONS

1. EC COMMISSION (DUGIMONT) CALLED MISSION TO NOTE THAT BROAD DECEMBER 6 BRAZILIAN IMPORT TARIFF INCREASES AFFECT APPLES, WHICH EC UNDERSTANDS BOUND TO US AND NEW ZEALAND. EC IS CONCERNED THAT BRAZILIAN ACTION MAY AFFECT OTHER BOUND RATES AS WELL AND HAS ASKED WHETHER US HAS ANY INFORMATION ON THIS.

2. DUGIMONT ALSO SAID EC FEELS BRAZIL SHOULD BE SUBJECT OF GATT BOP COMMITTEE REVIEW AND ASKED IF US SHARED THIS VIEW.

3. GATT SECRETARIAT (LUNDGREN) REPORTS BRAZIL HAS NOTIFIED NO NEW RESTRICTIONS. SECRETARIAT POINTS OUT THAT UNLESS BOUND RATES ARE INDEED IMPAIRED OR ARTICLE XII OR XVIII BALANCE-OF-PAYMENTS RESTRICTION

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STATUS IS SOUGHT, BRAZIL HAS NO SPECIFIC OBLIGATION

TO NOTIFY GATT.

4. THIS CASE UNDERLINES ONE OF THE SHORTCOMINGS OF GATT: A LARGE TRADING COUNTRY CAN FOR BALANCE-OF-PAYMENTS REASONS IMPOSE BALANCE-OF-PAYMENTS RESTRICTIONS WITHOUT HAVING TO ANSWER TO THE BALANCE-OF-PAYMENTS PROVISIONS OF THE GATT--SO LONG AS THAT COUNTRY AVOIDS QRS OR IMPAIRMENT OF BOUND RATES. BRAZIL LAST CONSULTED UNDER ARTICLE XVIII IN 1971 (BOP/R/57, JULY 12, 1971) AND HAS NOT SOUGHT COVERAGE OF THAT ARTICLE SINCE.

5. MISSION BELIEVES THERE IS GOOD REASON TO RAISE NEW BRAZILIAN RESTRICTIONS IN NEXT GATT COUNCIL; WE COULD USE QUESTION OF WHETHER ANY GATT-BOUND RATES ARE AFFECTED AS A MEANS OF DOING SO. IN A TIME WHEN WE WISH DISCOURAGE PROLIFERATION OF RESTRICTIONS, DO NOT BELIEVE IT ADVISABLE LET BRAZIL ESCAPE SOME KIND OF ATTENTION FOR TECHNICAL REASONS. ALSO, FAILURE TO PLACE SOME SORT OF SPOTLIGHT ON BRAZIL WOULD ENCOURAGE OTHERS NOT TO NOTIFY RESTRICTIONS. URUGUAY, FOR EXAMPLE, IS STILL SUBMITTING TO FULL BOP EXAMINATIONS IN GATT.

6. WHILE WE SHOULD CALL ATTENTION TO BRAZILIAN MEASURE IN COUNCIL, DO NOT SEE HOW WE COULD INSIST ON BOP REVIEW UNLESS IT DETERMINED THAT SOME BOUND RATES HAVE BEEN IMPAIRED. ACTION REQUESTED: WOULD APPRECIATE (A) INDICATION OF WHETHER EC IS CORRECT THAT BOUND RATES AFFECTED AND (B) GUIDANCE ON HOW OR WHETHER TO PURSUE GATT EXAMINATION OF BRAZILIAN MEASURES AFTER IT HAS BEEN DETERMINED WHETHER BOUND RATES ARE IMPAIRED.DALE

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN TRADE, IMPORT CONTROLS, BALANCE OF PAYMENTS POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974GENEVA07528
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740367-0252
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741230/aaaaazfa.tel
Line Count: 94
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2002 by boyleja>; APPROVED <25 MAR 2003 by ElyME>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC CONCERN OVER BRAZILIAN IMPORT RESTRICTIONS
TAGS: ETRD, BR, GATT, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005